UNITED STATES
POSTAL SERVICE

RECEIVED

2013 JAN 22 P 3: 56

POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

January 22, 2013

Hon. Shoshana M. Grove, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Grove:

In accordance with Commission Rule 3050.26, with respect to demand analyses which incorporate volume and price data from FY 2012, the Postal Service is providing the enclosed two CD-ROMs. The contents of these CD-ROMs update the demand analyses for categories of mail and services provided to the Commission last year.

The first CD-ROM provides materials relating to mail categories which fall into the Market Dominant domain, while the second CD-ROM provides materials relating to mail categories in the Competitive domain. In general, the Postal Service maintains its position that materials relating to Competitive categories of mail are internal documents of a commercially sensitive nature that under good business practices should not be disclosed publicly, and thus would be exempt from public disclosure pursuant to 5 U.S.C. § 552(b)(3) and 39 U.S.C. § 410(c)(2). Accordingly, the Postal Service requests that the Commission withhold all of the materials within the Competitive CD-ROM from public disclosure. 39 U.S.C. § 504(g). On the other hand, the materials presented within the Market Dominant CD-ROM are appropriate for public disclosure.

If you have any questions or concerns about the Postal Service's position on disclosure of any information provided today or subsequently, please contact me. As in the past, the Postal Service expects that any FOIA request for the records and information provided at this time will entail consultation between the Postal Service and the Commission, before any records are made publicly available. This approach accords with Department of Justice guidance and with our understanding of the Commission's current policy regarding such requests.

Attachment One to this letter describes the files provided on the two CDs. With respect to the Competitive product material, the Postal Service relies on the "Application of the United States Postal Service for Non-Public Treatment of Materials," attached as Attachment Two to the letter from R. Andrew German to the Commission, dated January 20, 2011. Pursuant to 39 C.F.R. § 3007.21, that document describes the material provided on the non-public CD-ROM, and presents the statutory basis for the

Postal Service's request for confidentiality, as well as a description of the harm that would result from disclosure.

Sincerely,

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Development

Enclosures

Listing of Files Being Provided to the Postal Regulatory Commission

Documenting the United States Postal Service's Demand Equation Estimation and Volume Forecasting Methodologies

Prepared for the Postal Regulatory Commission

January, 2013

The following is a list and brief overview of the files being provided to the Postal Regulatory Commission at this time, documenting the Postal Service's econometric demand equation methodology and providing a volume forecast for Fiscal Year 2013.

These files are divided into two folders as follows.

1. Competitive

This folder contains four Microsoft Word documents and one sub-folder which document the Postal Service's econometric demand equations for Competitive mail products.

The first Word document, 'Changes.vs.2012.doc' describes changes to the Postal Service's Competitive econometric demand equation specifications from those filed in January, 2012.

The second document, 'DataDictionary.doc' provides a glossary of terms used throughout this documentation.

The third document, 'DemandEquations-Jan2013.doc' provides a detailed presentation of the exact specifications for all of the Postal Service's demand equations for Competitive mail products with full econometric output.

The fourth document, 'DemandEquationTables.doc' presents summary tables of key econometric output for all of the Postal Service's demand equations for Competitive mail products.

Sub-Folder: Regressions

The files used to generate the Postal Service's econometric demand equations for Competitive products are presented in the sub-folder Regressions.

Econometric demand equations for Competitive products are estimated using the statistical software EViews (version 7.2). The program which generates the econometric output is DEQN_c.prg. The files PRE_EQS.prg and PROGGUTS.prg are

called from DEQN_c.prg and contain the bulk of the methodological framework used for estimation. The equation-specific explanatory variables, restrictions, et al., are identified in the VOL*.prg files. A separate VOL*.prg file exists for each of the Postal Service's unique demand equations. A glossary of suffixes for the VOL*.prg files can be found in the Word document, DataDictionary.doc.

The data used to estimate these demand equations is read into EViews from the Excel spreadsheet, RCFDATA_c.xlsx. The econometric output generated by EViews can be found in the text file, OUT_c.txt.

Sub-Folder: **Volume Forecasts**

This folder contains two files which document the Postal Service's volume forecasts for Competitive products. The file, 'VolumeForecastMethodology.doc' is a Microsoft Word document which describes the Postal Service's methodology for making volume forecasts.

The file, 'VF-Jan2013(c).xlsx' is a Microsoft Excel spreadsheet which generates volume forecasts for the four quarters of the current Postal Fiscal Year (FY 2013) for the Postal Service's competitive products.

2. **Market Dominant**

This folder mirrors the **Competitive** folder only for Market Dominant mail products. Like the **Competitive** folder, this folder contains four Microsoft Word documents and one sub-folder. These files document the Postal Service's econometric demand equations for Market Dominant mail products.

The first Word document, 'Changes.vs.2012.doc' describes changes to the Postal Service's Market Dominant econometric demand equation specifications from those filed in January, 2012.

The second document, 'DataDictionary.doc' provides a glossary of terms used throughout this documentation.

The third document, 'DemandEquations-Jan2013.doc' provides a detailed presentation of the exact specifications for all of the Postal Service's demand equations for Market Dominant mail products with full econometric output.

The fourth document, 'DemandEquationTables.doc' presents summary tables of key econometric output for all of the Postal Service's demand equations for Market Dominant mail products.

Sub-Folder: **Regressions**

The files used to generate the Postal Service's econometric demand equations for Market Dominant products are presented in the sub-folder Regressions.

Econometric demand equations for Domestic Market Dominant products are estimated using the statistical software EViews (version 7.2). The program which generates the econometric output is DEQN_md.prg. The files PRE_EQS.prg and PROGGUTS.prg are called from DEQN.prg and contain the bulk of the methodological framework used for estimation. The equation-specific explanatory variables, restrictions, et al., are identified in the VOL*.prg files. A separate VOL*.prg file exists for each of the Postal Service's unique demand equations.[1] A glossary of suffixes for the VOL*.prg files can be found in the Word document, DataDictionary.doc.

The data used to estimate these demand equations is read into EViews from the Excel spreadsheet, RCFDATA_md.xlsx. The econometric output generated by EViews can be found in the text file, OUT_md.txt.

---

[1] Except for Delivery and Signature Confirmation, where the 14 distinct Delivery and Signature Confirmation equations are included in the single file, VOL_DC_det.prg.

Sub-Folder: **Volume Forecasts**

This folder contains two files which document the Postal Service's volume forecasts. The file, 'VolumeForecastMethodology.doc' is a Microsoft Word document which describes the Postal Service's methodology for making volume forecasts. The file, 'VF-Jan2013(md).xls' is a Microsoft Excel spreadsheet which generates volume forecasts for market-dominant products for the four quarters of the current Postal Fiscal Year (FY 2013).